

Vol 1 – Part 5 – Chapter 4600

TREASURY AUTOMATED LOCKBOX NETWORK

Section 4610 – SCOPE AND APPLICABILITY

This chapter prescribes the procedures to be observed by all Government agencies, departments, corporations, and others concerned with the lockbox remittance processing of Federal agency receipts.

Section 4615 – AUTHORITY

Pursuant to Section 265 of Title 12, United States Code (U.S.C.), and other authorities, see for example, 12 U.S.C. 266, 1464(k), 1725(d), 1789a, the Secretary of the Treasury has the authority to designate financial institutions to be depositaries and financial agents of the U.S. Government. Pursuant to 31 U.S.C. 3720(a), executive agencies of the Government are required to provide for the collection and timely deposit of money by the use of procedures which may include lockbox collection services. Financial Management Service (FMS) is exercising its authority by using designated depositaries to support Governmentwide lockbox collection services.

Treasury Department Circular No. 1084 (I TFM 6-8000) establishes the policy regarding cash management practices within the Federal Government relating to the development and promulgation of regulations, systems, and procedures.

Section 4620 – DEFINITIONS

4620.10 - Agency

Any department, agency, independent establishment, board, office, commission or other establishment in the executive branch of the Federal Government, or any wholly owned or controlled Government corporation.

4620.20 - Bank (also referred to as a depositary)

A financial institution designated under 31 CFR 202 as a depositary and financial agent of the U.S. Government and authorized by Treasury to perform lockbox services for Federal agencies.

4620.30 - Lockbox

A collection and processing service provided by financial institutions that accelerates the flow of funds to Treasury's General Account. This service includes collecting the agency's mail from a

specified post office box, sorting, totaling, and recording the payments, processing the items, making the deposit, and transferring the funds. Agencies receive remittance data either in hard copy or via electronic format.

4620.40 - Memorandum of Understanding

A three-party agreement between the agency, FMS, and the lockbox bank, incorporating the terms and requirements for lockbox services for each account.

4620.50 - Mail Float

The average amount of time between the remitter mailing the payment and the receipt of the payment in the agency or lockbox.

4620.60 - Processing Float

The average amount of time between the initial receipt of the payment in the agency (mailroom) or receipt by depository and presentation of that receipt for deposit.

4620.70 - Collection Float

The average amount of time between presentment of the payment and the collected funds being a valuable to Treasury.

4620.80 - Collections

Transfers of funds from a source outside the Federal Government to an agency or to a financial institution acting as an agent of the U.S. Government.

4620.90 - Remittance Advice

An agency document designed to identify detail information on the collection received.

Section 4630 – BACKGROUND AND CONCEPTS

The Treasury Automated Lockbox Network (NETWORK) is comprised of designated financial institutions selected by FMS to provide lockbox remittance services for Federal Government agencies. The financial institutions are strategically located to minimize mail, processing, and collection float. Lockbox processing was adopted as a means of accelerating deposits to the

Treasury's General Account at the Federal Reserve Bank of New York (FRBNY). Agencies instruct remitters to mail payments directly to a Treasury designated lockbox bank. The bank assigns a unique lockbox post office box number to facilitate receipt and processing of collections for each agency program. The bank transfers deposits to the Federal Reserve on a daily basis for credit to the agency accounts and processes remittance advices according to FMS and agency instructions. Compensation to the banks for these services is provided by Treasury.

Section 4640 – LOCKBOX DESCRIPTION

There are three basic types of lockbox services available to agencies:

- Wholesale Lockbox - A wholesale lockbox involves the manual processing of invoice documents and is best suited for high-dollar, low-volume remittances. Once received at the lockbox site, these payment documents are processed, and key financial information is captured through key entry. The funds are transferred to Treasury's General Account at the FRBNY for credit to the proper agency location code (ALC). Pertinent data can be captured and transmitted via computer-to-computer link or in hard copy from the lockbox bank to the agency.
- Retail Lockbox - A retail lockbox uses machine readable documents for automated processing through optical character recognition (OCR) equipment. It is best suited for low- to moderate-dollar, high-volume remittances. Once payment documents are received at the lockbox site, high speed equipment captures specific remittance information, which is stored in electronic form on tapes or disks. The funds are transferred to Treasury's General Account at the FRBNY for credit to the proper ALC. Pertinent data can be captured and transmitted via computer-to-computer link or tape from the lockbox bank to the agency.
- Electronic Lockbox - An electronic lockbox accommodates both paper remittances, as well as all types of electronic transactions. The remitter can provide payments through either the ACH network, wire-transfer, or paper check mailing. Use of an electronic lockbox permits automated collection and deposit of funds and subsequent transfer to the FRBNY for credit to the proper ALC. The electronic lockbox system transmits pertinent data via computer-to-computer link or tape from the lockbox bank to the agency.

Section 4650 – LOCKBOX IMPLEMENTATION

4650.10 - Product Initiation

In many instances a lockbox application is identified through cash management reviews by program agencies requests by agencies for changes in depositary arrangements, and audits by agencies' Inspectors General. Agencies desiring to use lockbox services should contact:

Cash Management Division
Financial Management Service
Department of the Treasury
401 14th Street, SW.
Washington, DC 20227

Telephone 202-287-0745

4650.20 - Review

Agencies will provide an updated cash flow review (I TFM 6-8080.30) consisting of current collection practices and deposit information. Financial Management Service and the program agency shall complete a cost benefit analysis to determine: (1) the total days of float in agency's current collection system and the lockbox system, (2) the costs (including float) associated with the agency's current collection system and the lockbox system; and (3) the optimal sites within the NETWORK to process the agency's remittances.

If the lockbox is considered to be cost beneficial, a NETWORK bank will be selected for the agency to implement lockbox services. Recommendations will be made for an alternative collection mechanism when a lockbox application is not viable.

4650.30 - Conversion Planning

Financial Management Service will coordinate the conversion of the agency's current collection system with the lockbox system in the NETWORK. This will include a detailed project plan that ensures an efficient and expedient transfer of the agency's processing requirements to the lockbox system.

Specific conversion planning tasks include (but are not limited to):

- (1) Conduct onsite visit (by agency) to the selected lockbox sites;
- (2) Prepare lockbox processing specifications (I TFM 5-4640.40);
- (3) Revise current internal collection regulations and accounting systems;
- (4) Assess lockbox reporting options for updating the account receivables and;
- (5) Sign the Memorandum of Understanding (MOU).

4650.40 - Specifications

The selected bank and FMS will coordinate with the agency in preparing operational specifications to support agency lockbox processing requirements and the essential elements contained in the MOU. It is the responsibility of every Federal department and agency to determine the specifications that will provide the necessary information pertinent to agency internal controls and Treasury's financial regulations and reports.

4650.50 - Contract for Lockbox Services

Financial Management Service has the exclusive authority to contract for lockbox services with the selected bank and the agency (I TFM 5-4620.40). An agency is prohibited from entering into new contractual agreements, modifications of existing contracts, or renewal of existing contracts for agency collection systems without the prior approval of FMS (31 CFR 206.1).

4650.60 - Compensation

Treasury shall compensate the banks for specified lockbox services. Special services outside the scope of those authorized by FMS that may be required by an agency will be contracted and paid for separately by the agency.

Section 4660 – AGENCY MONITORING REQUIREMENTS

4660.10 - General

The agency is responsible for the accounting requirements of all transactions and funds transferred. Agencies are required to monitor lockbox performance on a daily basis to ensure quality service, reconciliation of detail remittance data, and the timely transferring of funds. Agencies are to prepare the necessary financial statements and reports to FMS (I TFM Part 2).

4660.20 - Operating Procedures

The agency shall provide to FMS advance written notice (minimum of 30 days) of any required changes to the operating process in providing lockbox services. Changes in the processing specification and pricing cannot be negotiated or implemented without the prior approval of FMS.

4660.30 - Reconciliation Inquiries

The agency shall pursue inquiries concerning reconciliation of detail data/documents processed through the lockbox directly with the lockbox bank customer representative. Operational problems over an extended period should be reported to FMS (I TFM 5-4695).

4660.40 - Required Services

The agency shall inform FMS (I TFM 5-4695) in writing (within 10 days), if the lockbox bank fails to perform the required services, in conformity with the MOU.

4660.50 - Funds Transfer

The agency shall inform FMS (I TFM 5-4695) of a failure by the bank to process payments timely and/or transmit the funds, which result in a delay in the availability to Treasury.

4660.60 - Evaluation

The agency shall respond to periodic Treasury surveys for evaluation of services being provided by both FMS and the NETWORK bank.

Section 4695 – INQUIRIES

Inquiries concerning the Treasury Automated Lockbox Network will be directed to:

Applications Management Branch
Funds Flow Division
Financial Management Service
401 14th St., SW. - 4th Floor
Washington, DC 20227
(Telephone 202-287-0580)